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Cooperation and conflict in international joint venture relationships

Ron Kemp

SOM-theme B Market and interactions between firms

ABSTRACT

This article reports the results of an empirical study focusing on the relationship between the relative dependence asymmetry of partners in a joint venture, the level and intensity of conflict between the partners, the level of trust and norms of exchange between the partners, and the performance of the joint venture. Having interviewed several executives and administering a survey, we found evidence that the level of conflict is, to a large extent, explained by the level of trust and norms of exchange between the partners. The performance of the joint venture is influenced by the norms of exchange. This indicates that companies should concentrate on trust and the norms of exchange with the partner to enhance the joint venture performance.

Introduction

The international joint venture is one strategic alternative in today's highly competitive global environment, and the study of joint ventures has attracted considerable interest among academic researchers and managers. Joint ventures enable firms to bring in expertise and resources from other companies and remain strategically flexible (Harrigan 1986). According to Contractor and Lorange (1988: 6), a joint venture is a co-operative arrangement with a high level of organisational interdependence. If the level of interdependence is too low, the joint venture is unlikely to survive difficult times. Ongoing viability of the joint venture rests on the continuing mutual dependence of the partners (Powell 1990).

For companies it proved to be difficult to manage the interdependence of joint ventures. This is illustrated by the high failure rate of joint ventures, approaching 50% (Cullen et al. 1995). Researchers cite low profitability, erosion of complementarity and strategic objectives, and cultural differences as reasons for attrition (Contractor & Lorange 1988). Other research indicates that a firm's dependence on its partner increases conflict and the partner's use of coercion (Kumar et al. 1995). Anderson and Weitz (1989) provided empirical evidence that asymmetric dependence relationships are more dysfunctional, less stable, and less trusting than symmetric relationships. Asymmetric dependence also influences interfirm trust and norms of fair exchange, sentiments that have been identified as critical in the development of long-term relationships (Dwyer et al. 1987, Kumar et al. 1995). A good relationship between the partners, characterised by a low level of conflict and a high level of trust and norms of exchange will positively influence the performance of the joint venture (Madhok 1995).

Given the importance of interdependence and its possible effect on the joint venture performance, we explore how the focal company's perception of interdependence asymmetry affects the development of conflict, trust and norms of exchange and consequently performance. The joint ventures in this study consisted of joint ventures between a Dutch and a Dutch or foreign partner. We define a joint venture as a discrete entity created by two or more legally distinct organisations, each of which contributes less than 100 percent of its assets and actively participates, beyond a mere investment role, in the joint venture's decision making (Geringer 1988: 4).

Theory and hypotheses

The nature of interdependence

The interdependence structure in a joint venture encompasses each firm's dependence and the degree of interdependence asymmetry between the firms. According to the literature, two important factors create perceptions of dependence: 1) the importance or criticality of resources provided by the source firm, and 2) the number of alternative sources available to the target firm of the needed resources (Andaleeb 1995). Social exchange theory suggests that individuals engage in exchange because they expect doing so to be rewarding (Blau 1964). It follows that an organisation will seek to build a relationship with others when it perceives a need for resources and support from other organisations (Pfeffer & Salancik 1978). With the initiation of the exchange, dependence relations are expected to result.

The effect of interdependence on conflict

Many researchers have concluded that conflict is inherent to any form of relationship and to joint ventures in particular (Bucklin & Sengupta 1993, Johnson et al. 1993) and/or are due to the inherent interdependencies between the partners (Mohr & Spekman 1994). The source of conflict might range from day-to-day activities to more strategically matters (Hyder 1988). Conflict exists when a partner in a joint venture perceives that the behaviour of the other partner prevents or impedes it from achieving its goals (Stern & El-Ansary 1992).

To understand the effect of interdependence asymmetry on conflict, we draw on bilateral deterrence theory (Bacharach & Lawler 1981). Bilateral deterrence theory asserts that increasing interdependence asymmetry is associated with higher levels of aggression and conflict by both parties although based on different motives (Cook & Emerson 1978). As the interdependence becomes more asymmetric, the relative powerful partner has increasingly less motivation to avoid conflict. Retaliation becomes less likely and less damaging, because the firm can inflict proportionally more serious damage on the dependent partner than it would suffer in return. Increasing interdependence asymmetry reduces the structural impediments that inhibit the more powerful firm's opportunistic behaviour and self-serving exercises of power.

Also the dependent partner is more inclined to engage in conflict. Because the relatively dependent partner increasingly expect to be exploited, regardless its

behaviour, it is more likely to engage in a pre-emptive strike or rebellion against the more powerful partner (Kumar et al. 1995). Thus, the bilateral deterrence theory suggests that both the more powerful partner and its weaker partner are increasingly likely to engage conflict as the relationship becomes more asymmetric.

Hypothesis 1: As the interdependence asymmetry in a joint venture relationship increases, conflict increases.

The effect of interdependence on trust

The need for trust between partners in a joint venture has been identified as an important element of a long-term joint venture relationship (Parkhe 1993, Inkpen & Birkenshaw 1993, Madhok 1995). Trust provides parties the possibility of governing risks in transactions. According to Powell (1990), trust is important because it reduces complex realities more quickly and economically than prediction, authority or bargaining. High trust between the partners of a joint venture is conducive to co-ordinative behaviour, whereas low trust leads to competitive behaviour (Dabholkar et al. 1994). Long-term relationships and trust encourage the development of exchange norms, which lead to effective communication, sharing of information and joint pay-offs (Dwyer et al 1987) and might create a strong social bond (Han 1992). Therefore, a high level of trust and norms of exchange might be crucial for joint venture success (Beamish 1988).

In the social psychology and distribution channel literature, there seems to be a consensus that trust encompasses two essential elements: trust in the partners' credibility and trust in the partners' benevolence (Ganesan 1994, Geyskens & Steenkamp 1995, Kumar et al. 1995). Credibility can be defined as the belief that the partner stands by its word, fulfils promised role obligations and is sincere (Ganesan 1994, Morgan & Hunt 1994, Geyskens & Steenkamp 1995). Credibility is more or less based on prior behaviour. Benevolence is defined as the belief that one's partner is interested in the firm's welfare and will not take unexpected actions which will negatively impact the firm (Anderson & Narus 1990, Andaleeb 1992, Ganesan 1994). A benevolent partner is motivated by a concern for the well being of the relationship itself and will not improve its own welfare at the expense of its partners' interest (Geyskens & Steenkamp 1995).

In an asymmetric relationship, the powerful partner does not need to cultivate its partner's trust (Kumar et al. 1995). It can use its power to obtain its partner's co-

operation. The dependent partner will fear potential exploitation by its partner and is therefore not inclined to trust its partner. Therefore, partners will focus on monitoring their partners behaviour and input for possible signs of exploitation. Anderson and Weitz (1989) provided evidence that in asymmetric interdependence relationships, the relationships are less trusting than in symmetric relationships. Thus, as the interdependence asymmetry increases, conditions become more aversive to the development of trust (Kumar et al. 1995).

Hypothesis 2: As interdependence asymmetry in a joint venture increases, trust decreases.

The effect of trust on the norms of exchange

Norms of exchange are expectations about behaviour that are at least partially shared by a group of decision-makers (Heide & John 1992: 34). According to Dwyer et al. (1987), norms will be the grounded rules for future exchanges and can serve as a general protective device against deviant behaviour of the partner (Stinchombe 1986). Norms can be seen as a mutual investment in the relationship and therefore increase the exit barrier. There is evidence that norms of exchange are a multidimensional construct in the sense that each dimension may relate to particular kinds of behaviour. Heide and John (1992) have concentrated on three dimensions: flexibility, information exchange and solidarity. Flexibility is defined as a bilateral expectation of willingness to make adaptations as circumstances change (Heide & John 1992). The partners are willing to accept smooth alterations in practices and policies in the light of unforeseen or changing conditions. Information exchange is defined as a bilateral expectation that parties will proactively and voluntarily provide information useful to the partner (Heide & John 1992). Thus, exchange of information refers to the nature and timeliness of information sharing by the exchange partners and is seen as a necessary precondition for a successful joint venture relationship (Inkpen & Birkenshaw 1994). Solidarity is defined as a bilateral expectation that there is a common interest and feeling that a high value is placed on the relationship (Heide & John 1992). Solidarity represents a safeguard to a company because it deters the partner from using decision-making control in a way that would be detrimental to the relationship as a whole. The partners will focus on the joint venture rather than on individual transactions (Pilling et al. 1994).

The norms of exchange are influenced by trust. If the focal company trusts its partner, the focal company will be more willing to react flexibly to changing conditions or demands of the partner (Madhok 1995). There will be a higher level of flexibility and tolerance in trusting relationships than in relationships with low levels of trust (Madhok 1995). Trusting relationships are especially important in the ambiguous situations that are often characteristic to joint ventures. If the norms of exchange are high, a company will have a feeling that the behaviour of the partner is in the interest of the joint venture as a whole and not only in the interest of the partner's own company. According to Powell (1990) and Åsson and Johansson (1988), trust leads to a more rapid flow of information exchange and a higher level of open communication. Trust will create a perceived supportive climate (Geyskens & Steenkamp 1995). Relationships characterised by trust are so highly valued by the partners, that the partners will have a strong desire to continue these relationships (Granovetter 1985). We therefore hypothesise:

Hypothesis 3: If trust increases, norms of exchange increase.

The effect of trust and norms of exchange on conflict

In their meta-analysis on trust, Geyskens et al. (1998) provide evidence for a strong and negative effect of trust on conflict. Madhok (1995) argued that building trust could be seen as the creation of a stock of goodwill from which an actor can draw when the need arises. Trust increases the tolerance for conflict and makes conflict less intense. Trust reduces friction. Andaleeb (1992) and Håkansson and Johanson (1988) also found that relationships characterised by a high level of trust lead to a low level of conflict. This suggests a negative relationship between trust and conflict.

Hypothesis 4: If trust increases, conflict decreases.

We posit that the level of the norms of exchange has a negative effect on the intensity and frequency of conflicts in the joint venture, i.e., high norms of exchange will result in a low level of conflicts. We think that if the norms are high, the partners will see conflict, in most cases, as functional. They do not really perceive the in opinion as conflicts. The partners know that there are always some misunderstandings or differences in opinion in a joint venture relationship. They accept that. In a relationship characterised by a high level of norms of exchange, conflicts will not be very intense. The partners know that they both have the intention to solve the "conflict" in a rational and, for both partners, satisfactory

way. The partners know that they each have the best intention with regard to the joint venture. Through a process of open communication and with a flexible attitude, the problems can be solved. In a joint venture with high norms of exchange, there will also be less conflict. The partners in such a joint venture do not want to engage in conflict because that might harm the good co-operation (Johnson et al. 1993). In a joint venture with a low level of norms of exchange, partners do not have that flexible attitude and might not show solidarity with the other partner. They might be willing to engage in a more serious and intense conflict to defend their own position. Thus, we hypothesise:

Hypothesis 5: If the level of norms of exchange increases, conflict decreases.

The effect of conflict and norms of exchange on performance

Norms of exchange will have a positive effect on joint venture performance. For an effective collaboration, flexibility is necessary to react to changing conditions (Lorange & Probst 1987, Madhok 1995). A high level of flexibility allows ongoing planning and continuous adjustments of obligations between the partners (Boyle et al. 1992). The expectation of getting all known and relevant information on an ongoing basis enables the partners to better cope with the vulnerability associated with transferring decision-making control to the partner (Heide & John 1992). When there is a norm of solidarity in the joint venture relationship, the partners will take the position of the other partner into account in their decision making. The partners will not force the other partners to accept certain decisions. If solidarity is present, then the partners will be more positive about the co-operation. Higher norms also result in a lower monitoring and administration costs and therefore increase the economic performance. We hypothesise:

Hypothesis 6: There is a positive relationship between norms of exchange and the joint venture overall performance.

The effect of conflict on performance

The effect of conflict between the partners on joint venture performance is widely investigated and, almost without exception, negative. Conflict makes co-operation difficult, and without co-operation, the achievement of the goals would be nearly impossible (Johnson et al. 1993). In a joint venture with much conflict, the partners will focus more on closely monitoring the relationship because each partner is

afraid that its interests are not (or not fully) taken into account. Also, the conflicts have to be resolved. This costs precious management time. Thus, the costs of the co-operation increase when there is conflict. As a result, the economic performance of the joint venture will decrease and the benefits (revenues minus costs) for the partners will be lower (Bucklin & Sengupta 1993). Conflict will also have a negative effect on the satisfaction of the partner. Conflict erodes satisfaction because participants in the joint venture may be unable to keep up morale and function effectively on a day-to-day basis in such a dysfunctional situation (Johnson et al. 1993).

Hypothesis 7: If conflict in a joint venture relationship increases, the joint venture overall performance decreases.

Method

Research setting and data collection

The data for this study were obtained through a questionnaire. We used three selection criteria to construct our research sample: time period, parent nationality, and number of participants.

The first criterion was an attempt to capture the recent growth of JVs (Beamish & Delios 1997). JVs that were founded during the period from 1989-1994 were selected. By looking at the foundation date, we included also JVs that were terminated at the time of our study. The second criterion allowed us to focus on the Dutch partners of the international JV. Questionnaires were sent only to the Dutch partner(s) of the JV because of time, funding, and access constraints. Finally, we concentrated on (Dutch) JVs with only two partners, since a majority (80%) of the JVs are between two partners (Jagersma & Bell 1992). It can be expected that JVs with more than two partners will face other problems. Also, prior research has primarily focused on two-partner JVs (see e.g. Geringer & Hebert 1991, Yan & Gray 1994, Glaister & Buckley 1998).

Data collection proceeded in three phases. First, we developed a sampling frame of JVs that were founded. This data was gained primarily from announcements of starting JVs in “Het Financieele Dagblad”, annual reports of Dutch companies registered at the Dutch stock exchange, and the “Fusie and Overname disk” of Delwel (1993, 1994). This process resulted in a sample of 319 JVs with 393 Dutch partners. Second, the companies were contacted to check the information and to

obtain the name of an executive in each firm that was likely to be able to complete the survey for the particular JV. Third, after screening these JVs and contacting the parent companies, the sample was decreased to 242 Dutch JV partners, to whom we sent the questionnaire¹. A reminder was sent to non-respondents and finally 95 executives responded (39%). Eighteen responses were not useable because data were missing, the JV involved more than two partners, or the JV was formed outside of our research time period, leaving 77 useable responses (32%). The majority of the joint ventures were formed with partners from Europe (47) followed by America (12) and Asia (9). The motives of joint venture formation are amongst others market access and local knowledge (58%), risk reduction (26%), and economies of scale (20%). A total of 47 focal companies are in the manufacturing sector, 19 in services and 12 in the rest (like non-profit). For the sample as a whole, 60 joint ventures were still in existence at the moment of the survey, while 18 joint ventures had been terminated. The average duration was 3.2 years.

Possible non-response bias was examined by comparing early and late respondents (Armstrong & Overton 1977). We found no significant difference ($p > .05$) between early and late respondents for any of our constructs, which suggests that non-response bias was not a problem.

Measures

For measuring the interdependence asymmetry, we made a distinction between the resource needs and the availability of alternative sources of the needed resources. The resource needs dimension was measured by listing 9 possible resource contributions by the partners (based on Contractor & Lorange 1988). The respondents were asked to assess the importance of each resource contribution for the success of the JV and to estimate the relative contribution of each partner. By multiplying the importance of the contribution by the relative contributions of the partners and equally weighting each type of resource contribution, a score was constructed for the overall relative contribution of the partners.

The availability of the alternatives refers to the number and attractiveness of alternative partners a party may have and is based on Heide and John (1988) and

¹Some joint ventures were never founded, the parent company did not exist anymore, the company was not willing to cooperate, or the company filled in only one questionnaire (some companies founded more than 20 joint ventures in this period).

Ganesan (1994). It is measured by three items (a high score implies few alternatives). We asked for the availability of the alternative partners for the focal company as well, to give an indication of the partners' position. By subtracting the focal companies' scores from the partners' scores, we got an indication of the relative dependence position. Both dimensions were equally weighted to get an overall score for interdependence asymmetry. We took the absolute value of this score to get a score for the balance in the relationship.

The conflict measure is based on Habib (1987). He distinguishes two dimensions, frequency of conflict and the intensity of conflict. We used 7 items. By multiplying the two dimensions we get an overall score for conflict.

Our definition of trust encompasses two essential dimensions: credibility and benevolence. The scale for measuring credibility was based on Kumar et al. (1995) and Ganesan (1994). For measuring benevolence, we used the scale of Kumar et al. (1995). For measuring the trust concept, it was decided to equally weight the scores of credibility and benevolence, in order to get an overall score on the level of trust. A high score on this construct implies a high level of trust between the partners.

We defined norms of exchange as expectations about behaviour that are at least partially shared by a group of decision-makers. Norms of exchange are measured by three dimensions: flexibility, information exchange and solidarity. The measure is based on Heide & John (1992). Each dimension is equally weighted in order to get an overall score. A high score on this construct implies a high level of norms of exchange.

We define performance as the extent to which the objectives are achieved. Our perceptual measure of performance encompasses financial as well as operational measures (Cullen et al. 1995). The measure addressed whether the JV met or exceeded expectations concerning profitability, growth, market penetration, and overall performance. An overall score on JV performance was gained by taking the mean of the items scores, resulting in an overall score on performance ranging from 1 (poor performance) to 5 (good performance).

Data Analysis

We followed the two-step approach in analysing our data (Anderson & Gerbing 1988, 1992, Fornell & Yi 1992). In the first step, we tested the validity and reliability of the constructs (see Steenkamp and Van Trijp (1991) for the procedure we

followed²). This analysis involved the measures of trust (benevolence and credibility), norms of exchange and performance³. Interdependence and conflict were not included in this analysis because they were conceptualised as formative indicators or multidimensional composite indices (Bollen & Lennox 1991, Kumar et al. 1995). Based on the formative properties of these measures, conventional validation methods based on association are not appropriate (Bollen & Lennox 1991). In the second step of the analysis, the structural model was tested.

Results

Table 1 shows the means, standard deviation, and correlations between the dependent and independent variables. To test the structural model, Lisrel 8 was used (Jöreskog & Sörbom 1996). We used the covariance matrix as input matrix and Maximum likelihood as estimation procedure.

Table 1: Correlation matrix

Variables	mean	std	1	2	3	4	5
1 Asymm of Dependence	1.66	1.29	1.00				
2 Conflict	6.37	3.90	.08	1.00			
3 Trust	3.39	.86	-.21*	-.66***	1.00		
4 Norms	3.61	.85	-.16	-.70***	.74***	1.00	
5 Performance	3.07	1.08	-.08	-.47***	.42***	.53***	1.00

* p<.10, ** p<.05, *** p<.01

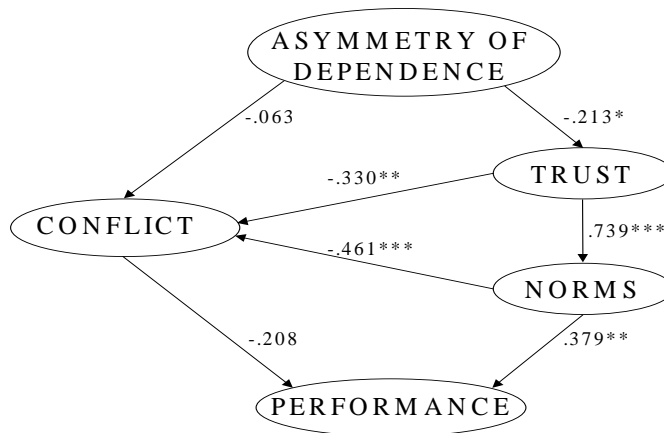
The model is presented in Figure 1. The overall fit of the model must be evaluated before individual relationships can be estimated for hypotheses testing. The model had a statistically nonsignificant chi-square; 2.85 df=3 (p=.42), suggesting that the

² In the Confirmatory Factor Analysis, we used the maximum likelyhood estimation with the covariance matrix as input matrix (Jöreskog & Sörbom 1996). Although WLS estimations should be used for ordinal scales, we used ML estimators. WLS requires a large sample size. If the sample size is small (as in our case), the assumption of multinormality holds, and if there are minor skewness and kurtosis (not exceeded | 1|), ML estimators can be used (Bollen 1989: 432).

³ See the Appendix for the results.

model fits the data well (Jöreskog & Sörbom 1996)⁴. The overall model fit indices exceeded .90.

Figure 1: Structural model^a



$\chi^2=2.85$, $df=3$, $p=.42$, AGFI=.93, NFI=.98, NNFI=1.00, RMR=.04

^aStandardized coefficients, * $p<.10$, ** $p<.05$, *** $p<.01$

Hypothesis 1 concern the effect of dependence on conflict. We expected that a greater dependence asymmetry would result in more conflict. The results did not support this relationship.

The second hypothesis involved the effect of dependence on trust. The statistically significant estimate of $-.213$ ($p<.10$) suggests support for this hypothesis. Thus, if there is more dependence asymmetry, this will result in less trust. Hypothesis 3, which suggested that trust lead to norms was supported. With an estimate of $.739$ ($p<.01$), this is a very strong relationship.

In hypotheses 4 and 5, we stated that a high level of trust and norms result in less conflict. The data supported the hypotheses. The estimates of $-.334$ for the trust-conflict relation and $-.478$ for the norms-conflict relationship were both significant at $p<.05$. Hypothesis 6, that norms increase the performance evaluation of the partners, was supported in this study. The estimate of $.379$ was statistically

⁴ The chi-square tests whether the implied (i.e. expected) interrelationships from the model differ significantly from the observed interrelations between the variables. Therefore, the chi-square measure should be non-significant.

significant. Finally, hypothesis 7 concerns the negative effect of conflict on the joint venture performance. This relationship is not supported by the data, although we found a negative, but not significant relationship of -0.208 .

Discussion and implications

In this study, we have tested a model, which explained the effect of dependence asymmetry on the joint venture performance. It proved that conflict is not directly influenced by the dependence asymmetry. Indirectly, dependence asymmetry influences conflict by the concepts of trust and norms. The non-significant relation between dependence and conflict implies that the bilateral deterrence theory for explaining the dependence-conflict relationship might not be correct. It might be needed to adjust the argument by integrating the potential effect of trust and norms. Recently, Kumar et al. (1998) provided alternative theories (the conflict spiral, and the relative power theory) to explain the relationship between dependence and conflict in distribution channels. It could be interesting to see if their arguments also hold for joint ventures.

We did not find a significant relationship for the conflict-performance relationship. This might imply that the relationship is not direct, there might be a variable between conflict and performance. Based on the article of Cullen et al. (1993), we might expect that conflict does not directly influence the economic performance of the joint venture but more the satisfaction of the partners. In their study, conflict correlated negatively with satisfaction. Satisfaction was strongly correlated with economic performance. In our interviews, we also found evidence for this relation. A lot of intense conflict will lead to a kind of frustration of the partners. This does not necessarily have to result in a bad economic performance. Based on the dissatisfaction, the partners will more closely monitor the joint venture and the partner. This will result in a poor economic performance. Killing (1983) described this process as the failure process of joint venture. Also Anderson (1990) argued that satisfaction is an antecedent of long-term economic performance.

Related with this is that conflict might not be something negative. The resolution of conflict is very important and might even result in a better relationship between the partners. We only look at the level and intensity of conflict and not the way the conflicts were resolved.

Another explanation might be the conceptualisation of our conflict concept. Based on its measurement characteristics, it could not be tested with the usual methods based on association. Although the measurement history is good (see e.g. Habib

1987, Cullen et al. 1993), the nomological validity proved to be problematic. Our conflict operationalisation focuses on certain topics that might be present in a joint venture. This can be very specific. The other concepts are more broadly formulated. It would be interesting to see if other operationalisations of conflict would perform better in our model.

Conclusion

The primary objective of our study was to investigate the effect of interdependence asymmetry on the management of the joint venture and the perception of the joint venture performance. In our model, we focused on the effect of conflict and the cooperation between the partners (measured by the level of trust and norms) on the performance of the joint venture. We found evidence that the level of trust and norms are important for a successful joint venture. If the level of trust and norms is high this will lead to a better performance of the joint venture and lower levels of conflict. Contrary to our expectation, conflict is not directly influenced by the interdependence asymmetry and does not influence the economic performance.

Based on our findings, we might conclude that managers who are responsible for joint ventures should focus on the development of a relationship with their partners. The dependence position can be best managed by focussing on the relationship development. The joint venture must be structured in such a way that the relationship can be built up. A good relationship can be very important to survive difficult times and will result in better economic performance. A good relationship not only leads to better performance but also leads to a lower level of conflict that might require scarce management time.

Though this study addresses cooperation and conflict issues of JVs to identify the antecedents of performance, the findings should be evaluated in the light of the following limitations. First, the study used cross-sectional data, thus preceding an explanation of the dynamic effects of asymmetry of dependence, conflict, trust, norms of exchange and performance. This becomes particularly crucial because two-way causal links have been suggested in the literature, for example, improved performance may also build norms of exchange. Further research is encouraged to investigate the longitudinal relations in a quantitative approach. Second, our results were based on information obtained from only one side of the JV. As some variables in the study were bilateral, data collection from only one partner did not capture all aspects of the relationship, and the findings should be interpreted accordingly. Third, the conflict- performance relationship proved to be more

complex than formulated in our hypotheses. Perhaps the occurrence of conflicts does not necessarily have to harm the performance. The effect might depend on the way the conflict is resolved (De Dreu & Van de Vliert 1997). Fourth, the environment the joint venture is in might influence the relationships we suggested. A turbulent environment might demand a more flexible attitude of the partners than a stable environment. Finally, we only investigated a few variables that might predict the performance of the joint venture. Further research is encouraged to see the effect of other variables like shared objective and the control structure of the joint venture.

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Appendix

Resource needs

importance (1= completely unimportant, 5= very important) * relative contribution (-2 = entirely partner, 0 = equal, 2= entirely own company)

Market access/knowledge of local market, Technology, Access to capital, Access to distribution channels, Access to raw materials, Access to human resources, Local identity, Contact with government, Management know-how

Alternatives (1= completely disagree, 5= completely agree)

It is difficult to replace our partner.

We have many alternative ways of replacing our partner. (r)

We are dependent on our partner.

Trust CFA results (two factor model) $\chi^2(12)=19.46$, $p=.08$, AGFI=.87, NNFI=.95, CFI=.97

credibility (1= completely disagree, 5= completely agree, $\alpha=.79$)

We can count on our partner being honest.

Our partner always keeps promises.

We accept explanations that seem unlikely because we are sure that our partner is telling the truth.

Our partner provides information that later turns out to be incorrect. (r)

benevolence (1= completely disagree, 5= completely agree, $\alpha=.83$)

Our partner has an understanding of our problems.

When taking decisions about the joint venture, our partner takes the consequences for our company into account.

We can count on our partner's support in matters that are important to our company.

Norms CFA results $\chi^2(9)=15.95$, $p>.05$, AGFI=.86, NNFI=.96, CFI=.94

The partners have a flexible approach.

Adjustments in the relationship are possible in order to react to changed circumstances.

The other party is provided with all information that may be of interest to it.

Information is also exchanged informally and not only on the basis of a predetermined agreement.

Solving problems within the joint venture is seen as a joint responsibility.

Both partners work for improvements that benefit the joint venture and do not only concentrate on their own advantage.

Conflict (importance and intensity)

Strategic policy of jv, day-to-day policy, agreements between partners and jv, performance measures of jv, role and function of parties, interpretation of jv contract, distribution of advantages and disadvantages (know-how, financial).

Performance (1= completely disagree, 5= completely agree, $\alpha=.85$)

CFA results $\chi^2(1)=.05$, $p=.82$, AGFI=.99, NNFI=1.03, CFI=1.00

The joint venture is more profitable than expected.

In general, we regard the joint venture as successful.

The joint venture's products have not achieved the intended market share. (r)

(r) = reverse code